

Message Text

CONFIDENTIAL

PAGE 01 USUN N 00208 270137Z
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C O N F I D E N T I A L USUN 0208

E.O. 11652: GDS
TAGS: UNDP, EAID
SUBJ: 23RD UNDP GOVERNING COUNCIL - ACCUMULATED NON-
CONVERTIBLE CURRENCIES

REF: USUN 174

1. SUMMARY: IN INFORMAL DISCUSSION JANUARY 26, THE
SOVIET DELEGATION TO THE UNDP GOVERNING COUNCIL TURNED DOWN
BOTH ASPECTS OF THE US PROPOSAL ON NON-CONVERTIBLE CURRENCIES.
IT WAS AGREED, HOWEVER, THAT DISCUSSIONS ON THIS QUESTION
WOULD CONTINUE ON JANUARY 27TH. END SUMMARY.

2. ON JANUARY 26 THE US DELEGATION (NORRIS) HAD ITS
SECOND INFORMAL DISCUSSION WITH THE SOVIET DELEGATION
(LISSOV) WITH REGARD TO THE US PROPOSAL ON UNDP'S HOLDINGS
OF NON-CONVERTIBLE CURRENCIES. THIS WAS IN FOLLOW-UP TO
THE JANUARY 21 MEETING REPORTED REFTEL.

3. AFTER A REVIEW OF THE BASIC PROPOSAL UNDER CONSIDERATION
LISSOV GAVE THE SOVIET RESPONSE WITH REGARD TO IT.
HE SAID BOTH THE FIRST ASPECT, (THE PROPOSED PURCHASE
ARRANGEMENT) AND THE SECOND ASPECT (A CURRENCY SWAP TO
BENEFIT LDC'S DIRECTLY) WERE ESSENTIALLY THE SAME.
BOTH WOULD INVOLVED THE PURCHASE OF SOVIET RUBLES AND
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PAGE 02 USUN N 00208 270137Z

THIS WAS CONTRARY TO SOVIET LAW. HE REITERATED THAT
POSITION THAT SOVIET RUBLES CANNOT BE PURCHASED, SOLD
OR SUBSTITUTED. FURTHERMORE. LISSOV SAID THAT SUCH
AN ARRANGEMENT WOULD BE CONTRARY TO THE BASIC ROLE OF
UNDP AND WOULD INTRODUCE FOR THE FIRST TIME, CURRENCY
EXCHANGE IN ITS RESPONSIBILITIES.

4. LISOV WENT ON TO SAY THAT IN ADDITION TO BEING CONTRARY TO THE FINANCIAL LAWS OF THE SOVIET UNION, THE US PROPOSAL WOULD ALSO CONTRAVENE THE SOVIET LEGAL REQUIREMENT THAT THE USSR CONTRIBUTION MUST BE USED FOR DIRECT REPEAT DIRECT TECHNICAL ASSISTANCE TO DEVELOPING COUNTRIES.

5. LISOV ALSO POINTED OUT THAT SOVIET CONTRIBUTIONS TO UNDP AND THEIR USAGE WAS NOT "PRIVILEGED". HE SAID THE USSR CONTRIBUTED VOLUNTARILY TO UNDP IN AN EFFORT TO STIMULATE INTERNATIONAL COOPERATION. THE SOVIETS DID NOT WANT ANY "PRIVILEGE." HOWEVER, THEY HAVE THE PRIVILEGE OF TAKING THEIR MONEY BACK IF THEY WISHED.

6. NORRIS EXPRESSED DISAPPOINTMENT THAT SOVIETS WERE NOT ABLE TO JOIN IN THIS EFFORT AIMED AT RESOLVING A BASIC UNDP PROBLEM. HE POINTED OUT THAT THE ADMINISTRATOR HAD ASKED FOR GUIDANCE FROM THIS GOVERNING COUNCIL AS TO HOW TO DEAL WITH THE PROBLEM OF NON-CONVERTIBLE CURRENCY ACCUMULATIONS AND WE FELT IT WAS IMPORTANT ALL GOVERNMENTS RESPOND TO THAT REQUEST. IN SURVEYING OTHER POSSIBILITIES, NORRIS ASKED WHETHER THE SOVIETS WOULD ENTERTAIN THE IDEA OF FORMALLY SEGREGATING THE NON-USABLE CURRENCIES FROM OTHER UNDP RESOURCES. LISOV JOKINGLY REPLIED THAT IN FACT THAT IS THE PRESENT PRACTICE. NORRIS ALSO ASKED WHETHER THE USSR WOULD BE AMENABLE TO GOVERNING COUNCIL APPROVAL OF INDIVIDUAL PROJECTS FINANCED BY NON-CONVERTIBLE CURRENCIES TO ENSURE PRIVILEGE WAS NOT ACCORDED IN AN EFFORT TO USE THESE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 USUN N 00208 270137Z

CURRENCIES. LISOV PROMISED TO CHECK THESE TWO POINTS OUT WITH HIS AUTHORITIES AND TO REPORT BACK TO US.

7. IN SUMMING UP, LISOV EXPRESSED THE HOPE THAT WE WOULD NOT GIVE THE SOVIETS AN ULTIMATUM ON THIS QUESTION IN THE UNDP BECAUSE IF WE PUSHED TOO HARD ON THIS QUESTION IT COULD SERIOUSLY AFFECT THE SOVIET UNION'S RELATIONSHIP WITH UNDP. HE SAID THE SOVIET POSITION WAS BASED ON THREE PRINCIPLES WHICH THEY WOULD LIKE TO SEE ENDORSED BY THE GOVERNING COUNCIL: (1) THE SUCCESS OF THE UNDP PROGRAM WILL DEPEND ON TO WHAT EXTENT IT WILL USE ALL CONTRIBUTIONS PAID IN READILY USABLE CURRENCIES (THE SOVIETS INSIST THAT RUBLES ARE "READILY USABLE" IN THIS CONTEXT); (2) THE GOVERNING COUNCIL SHOULD CALL ON THE ADMINISTRATOR TO FIND THE MOST RATIONAL WAY TO USE ALL CONTRIBUTIONS AND (3) ALL GOVERNMENTS, DONORS AND RECIPIENTS ALIKE, MUST GIVE THE ADMINISTRATOR ALL POSSIBLE HELP IN USING THESE CURRENCIES. SUBSEQUENTLY, LISOV ADDED TWO ADDITIONAL BASIC SOVIET "REQUIREMENTS": THAT ITS

CONTRIBUTIONS MUST BE USED FOR IPF EXPENDITURES AND THEY
MUST GO FOR GLOBAL, REGIONAL OR INTER-REGIONAL PROJECTS.
LISSOV URGED THAT WE NOT HAVE A CONFRONTATION ON THIS
MATTER IN THE GOVERNING COUNCIL.

8. USDEL AGAIN EXPRESSED DISAPPOINTMENT AT THE LACK OF
MOVEMENT IN THE SOVIET POSITION AND AGREED TO MEET
AGAIN ON JANUARY 27 TO FURTHER EXPLORE RELATIVE POSITIONS.
MEANWHILE, WE ARE CONTINUING TO CONSULT INTENSIVELY
WITH KEY WESTERN DELEGATIONS.
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